

Annual Report

Department of Finance
Fiscal Year Ending March 31, 2013




Newfoundland
Labrador

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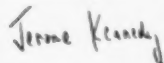
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MESSAGE FROM THE MINISTER

In accordance with Government's commitment to accountability and transparency, I am pleased to present the 2012-13 Annual Report for the Department of Finance. Its purpose is to account for the progress made towards achieving the intended results of the 2011-14 Strategic Plan and to measure performance within key business areas. As Minister responsible for the Department of Finance, my signature below is indicative of my accountability for the actual results reported within this document.

I would like to take this opportunity to acknowledge the outstanding accomplishments and commitment of the employees in the Department of Finance. I look forward to their continued support and dedication.

Sincerely,



Jerome Kennedy, Q.C.

Minister of Finance and President of Treasury Board

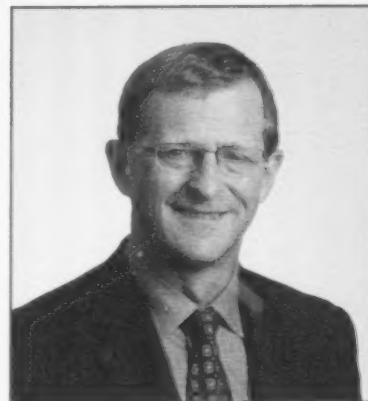


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1.0 INTRODUCTION

In accordance with the *Transparency and Accountability Act*, this document is the Department of Finance's 2012-13 Annual Report. The document provides general information about the Department's mandate and lines of business, and the overall environment in which it operates. It also highlights some of the Department's key accomplishments for the 2012-13 fiscal year and reports upon the progress achieved towards the priorities outlined in the 2011-14 Strategic Plan. The document also summarizes some of the anticipated key challenges for the 2013-14 fiscal year and presents the Department's strategic annual performance milestones.

Vision

A VIBRANT and SELF-RELIANT ECONOMY and PROSPEROUS PEOPLE

Mission Statement

By March 31, 2017, the Department of Finance will have supported Government in its commitment to fiscal sustainability and a healthy economy for the Province.

2.0 DEPARTMENTAL OVERVIEW

The Department of Finance is responsible for providing a strategic leadership role for Government in the development of fiscal, financial, economic and statistical policy. It is also responsible for overseeing the management and control of provincial finances to ensure appropriate use of public funds. The following sections provide additional detail on the mandate of the Department, its lines of business, organizational structure, financial resources and budget allocations, and staffing complement.

2.1 Mandate:

The Department of Finance plays a key role in establishing, implementing and reviewing Government's financial management, economic, fiscal and taxation policies. These responsibilities are primarily achieved through the provision of timely analysis and advice to Cabinet and its committees, particularly the Treasury Board Committee for which the Minister of Finance serves as President. The Department is also the central agency responsible for the provision of financial policy advice and various services to other government departments and its employees. During the 2012-13 fiscal year, the Department was responsible for all matters related to:

- Financial planning and budget monitoring
- Tax policy and the administration of tax statutes
- Centralized collections of Government's outstanding accounts payables and receivables
- Fiscal policy
- Federal/provincial fiscal arrangements
- Debt management
- Project analysis
- Administration of pensions benefits
- Administration of group and general insurance
- Comptrollership and financial management
- Economic policy and statistics
- Management and administration of compensation and benefits for government employees
- Management of transactional processing of Government's accounts receivables and payables

2.2 Lines of Business:

During the 2012-13 fiscal year, the Department of Finance delivered the following four principal lines of business:

Financial Planning and Benefits Administration

The Department of Finance coordinated the preparation of Government's annual budget and

then monitored the expenditures of government departments. It also set financial policies for government entities, provided advice related to multi-year expenditure plans and recommended allocations of financial resources. Operational support and analytical advisory services were also provided to the Treasury Board Committee of Cabinet to support their financial management responsibilities. Similar financial expertise was also provided to the other committees of Cabinet, as well as government departments in support of the cabinet decision-making process. Additionally, the Department administered six provincial pension plans and developed and managed the policies, programs and contracts respecting risk management and group insurance for select government entities and public sector employees/retirees.

Taxation and Fiscal Policy

The Department of Finance developed options for taxation reform; assessed the implications of changes to existing provincial taxation and fee policies; and, implemented legislative measures in support of Government's tax and fiscal policy priorities. It also participated in the negotiation and monitoring of federal-provincial tax and fiscal agreements and forecasts, analyzed and monitored provincial revenues. The Department managed the Province's borrowing and debt servicing programs; provided centralized financial and economic impact analysis of specific projects to assist Government in decision making and/or policy development; and administered various provincial taxes, rebates and incentive programs, which included:

- ☐ tobacco tax
- ☐ gasoline tax
- ☐ school tax
- ☐ mining and mineral rights tax
- ☐ utilities tax
- ☐ insurance companies tax
- ☐ retail sales tax
- ☐ health and post-secondary education tax
- ☐ direct equity tax credit program
- ☐ home heating rebate program
- ☐ parental benefits programs

Office of the Comptroller General

The Department of Finance controlled and accounted for the receipt and disposition of public money through the development of financial policies and procedures, administration of applicable legislation and the preparation of the provincial financial statements (i.e. Public Accounts) and related financial reports. The Department also developed and maintained government-wide revenue and expense systems and ensured that effective financial management controls, systems and accounting procedures were in place and government departments were properly accounting for their revenues and expenses. These systems and procedures were in place to ensure that no payment of public money occurred that is in excess of the appropriations

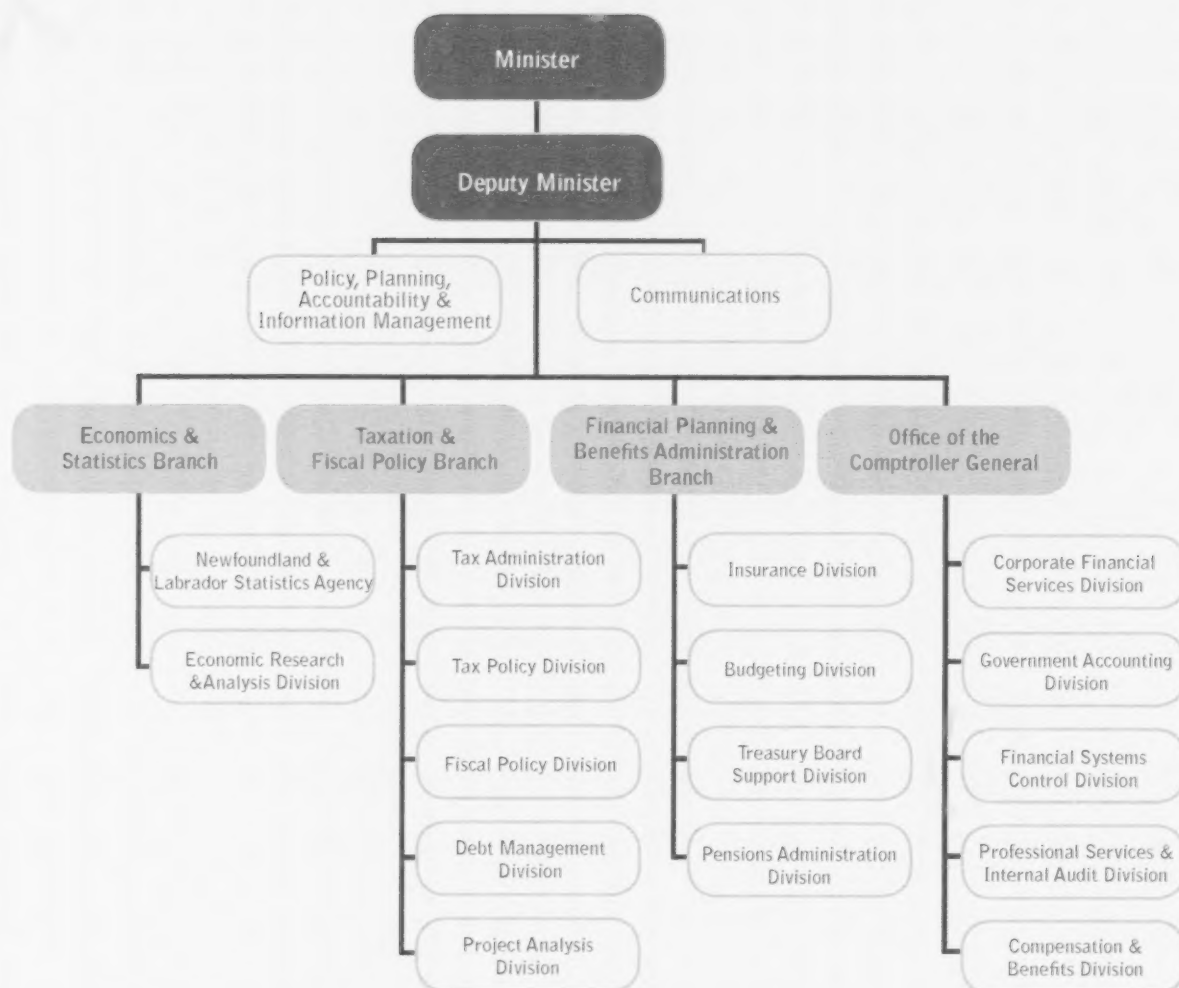
provided by the House of Assembly and applicable legislative authority. Professional advisory services were also provided to government departments in the areas of: financial management, accounting and systems; financial policy development and implementation; internal auditing; and financial reporting. Corporate shared services were also delivered by the Department to other government departments. The Department of Finance administered and processed payroll, time and attendance transactions for government departments and developed business processes and related policies that impacted accounts payable and accounts receivable.

Economics and Statistics

The Department of Finance analyzed and forecasted the macroeconomic environment, which fed into the Province's revenue projections. It also provided economic impact assessments and special studies related to policy, economic events and projects. It maintained and operated the Newfoundland and Labrador Econometric Model, the Input/Output Model, and the Population Projection Model and was responsible for the annual publication of *The Economy* and *The Economic Review*. The Department also fulfilled a vital statistical role for Government by collecting, storing and disseminating information that was accessible to clients while guaranteeing confidentiality and privacy of individual information. This was achieved through the Newfoundland and Labrador Statistics Agency under the authority of the *Statistics Agency Act* which mandates the Agency. The Department acted as Government's official point of contact with Statistics Canada, developed and provided focused sub-provincial data through Community Accounts and provided expertise in spatial analysis and socio-economic simulation modeling.

2.3 Organizational Structure:

The effective and efficient delivery of its programs and services was supported by an organizational structure that consisted of the four distinct branches as depicted in the diagram on the following page. Additionally, all branches and divisions within the Department were supported by the Policy, Planning, Accountability and Information Division and the Communications Division.



For further information regarding the specific mandate of each division please refer to the Department's website at www.gov.nl.ca/fin/.

2.4 Staffing Complement:

During the 2012-13 fiscal year, the Department employed 416 individuals (69.5% female and 30.5% male). The headquarters for the Department of Finance is the Confederation Building, with staff dispersed throughout the East and West Blocks. Additionally the Department had some staff located in Mount Pearl at the Motor Registration Division, on Topsail Road, and in Corner Brook and Grand Falls-Windsor. Contact information for all office locations is available on-line at www.gov.nl.ca/fin/.

2.5 Financial Resources and Budgetary Allocations:

The financial activities of the Department of Finance for fiscal year ending March 31, 2013 showed gross expenditures of \$91,594,851, offset by related revenues of \$109,196,400 (see page 21 for further details). The following table provides additional information comparing expected to actual departmental expenditures.

Summary of Departmental Budget Fiscal Year Ending March 31, 2013		
Expenditures	Original Budget \$	Actual \$
Salaries	28,838,800	23,071,367
Employee Benefits	71,525,300	69,382,882
Transportation and Communications	930,800	812,722
Supplies	460,000	478,688
Professional Services	1,411,900	447,448
Purchased Services	2,056,000	1,886,821
Property, Furnishings and Equipment	252,900	113,037
Loans and Advances	500,000	0
Grants and Subsidies	8,723,000	2,250
Gross Expenditures	114,698,700	96,195,215
Less: Related Revenue	(5,502,300)	(4,600,364)
Net Expenditures	109,196,400	91,594,851

Expenditure and revenue figures included above are on a modified cash basis. The figures are un-audited and based on the information provided in the *Report on Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2013*. Audited financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles for the public sector. They will be made public upon the release of **Volume I – Public Accounts Consolidated Summary Financial Statements and Volume II – Consolidated Revenue Fund Financial Statements**.

3.0 REPORT ON PERFORMANCE

During the 2012-13 fiscal year, the Department of Finance made significant progress towards its commitments as outlined in its 2011-14 Strategic Plan. The following section provides an overview of these accomplishments.

3.1 Strategic Issue #1: Information Capacity

The Province's changing demographics and economic growth have the potential to significantly alter the programs and services currently provided by the Government of Newfoundland and Labrador. Government has therefore taken measures to ensure public service delivery is versatile to adapt to people's changing needs, user-friendly and clearly focused on priorities. The Department of Finance contributed towards this strategic direction of Government through the provision of reliable and timely information and analysis on the impacts of these potential changes and their influences on the design and delivery of programs and services. A precursor to the ability of the Department of Finance to provide this type of information and analysis is the development of demographic and macroeconomic indicators and regional economic forecasts. To this end, the Department's 2011-14 Strategic Plan identified the following goal:

By March 31, 2014, the Department of Finance's contribution to Government's decision-making processes as it relates to the design and delivery of programs and services is enhanced.

2012-13 Performance Summary:

To assist in the achievement of this goal, the Department of Finance established the following objective to help focus its efforts during the 2012-13 fiscal year:

By March 31, 2013, the Department of Finance will have initiated the development of indicators to be used as a means of determining the impacts of provincial demographics and economic change on the design and delivery of Government programs and services.

Building upon the work completed in the previous year when the Department identified the most appropriate indicators to be developed and the required data sources to develop such measures, progress continued during the 2012-13 fiscal year.

During 2012-13, the Department of Finance made significant progress towards the development of indicators of risk for those with affordability challenges; indicators of income disparity emerging for retired individuals living on low incomes and others challenged by barriers to employment; and indicators to measure the impact of provincial economic and demographic change. The actual results achieved are provided on the next page.

Measure: Initiate development of indicators

Planned Performance	Actual Performance
<p>Prioritized list of indicators to be developed</p>	<p>2. Building upon the feasibility assessment conducted in the previous year, during 2013-14, the Department prioritized its list of indicators to be developed. This prioritization considered such factors as the availability of data sources to build the desired indicators; appropriateness and applicability of indicators currently available from Statistics Canada; and the anticipation of the type of information Government decision-makers will require in the short and long-term. Subsequently, indicators of disparity, risk, and impacts of provincial economic and demographic change were defined and prioritized for development.</p>
<p>Established a plan to guide development of indicators and potential dissemination of data</p>	<ul style="list-style-type: none"> Plans were established (and in some cases actioned) to guide the development of the indicators and their dissemination. Indicators of risk and disparity were defined using the definitions already established under the Newfoundland Labrador Market Basket Measure (NLMBM), which is a selection of goods and services used to determine the cost of a "minimal accepted" standard of living. Methods were developed and sent to Statistics Canada to access the data required and commence the development of the indicators. Upon completion of development, these indicators will be disseminated online via Community Accounts (http://nl.communityaccounts.ca/). The development of indicators of the impact of provincial economic and demographic change was advanced in the areas of Employment Insurance and Motor Registration. Furthermore, motor registration indicators were developed and disseminated online via Community Accounts.
<p>Secured access to the required data sources</p>	<ul style="list-style-type: none"> Work progressed in securing access to required data sources for indicator development purposes: A contract with Statistics Canada was developed to allow for access to the required data sources to develop the indicators identified as appropriate measures of disparity and risk. The 2011 national census data was used to support the development of sub-provincial population estimates, which supports understanding of how provincial economic and demographic changes impact this province. Data available from the Motor Registration Division of Service NL was also utilized for indicator development and data from major consumer credit rating agencies was identified for future development.

2013-14 Performance Commitments

During the 2013-14 fiscal year, the Department will continue to work towards enhancing the reliability and timeliness of the information and analysis available on the impacts of provincial demographic and economic changes on the design and delivery of government programs and services. To this end, the Department has identified the following objective for the 2013-14 fiscal year:

By March 31, 2014, the Department of Finance will have provided Government with a more comprehensive information and analysis of the potential impacts of provincial demographics and economic change on the design and delivery of government programs and services, based upon new resources and information developed in the previous two years.

The Department's progress towards this commitment will be monitored and measured according to the following performance indicators:

Measure: *provided Government with more comprehensive information and analysis*

Indicators:

- Provided new regional economic forecasts, indicators of income disparities, and indicators of risk

3.2 Strategic Issue #2: Financial Planning

A fundamental role for the Department of Finance is to support Government in its financial planning processes. This is achieved primarily through the provision of timely and accurate analysis and advice related to revenue and expenditure forecasting and economic expectations anticipated for immediate, medium and long-term scenarios. It is therefore crucial for the Department to ensure that its capacity to provide financial planning advice is top-notch and adaptive to the continuously fluctuating factors which impact Government's decision-making processes.

A key supporting component of the Department's capacity to meet these expectations is the strategic use of technology to support efficient and effective business processes. Therefore, a strategic focus for the Department over the last several years has been the development and implementation of a new budgeting system to assist in budget preparation and monitoring, budget forecasting, preparation of the Estimates, preparation of the Salary Details and budget reporting. The Department of Finance has therefore focused its efforts on enhancing its financial planning processes by streamlining the integration of revenue and expenditure forecasting, as referenced in its 2011-14 Strategic Plan by the following goal:

By March 31, 2014 the Department of Finance will have improved the integration of its revenue and expenditure forecasting capabilities.

2012-13 Performance Summary:

To assist in the achievement of this goal, the Department of Finance established the following objective to help focus its efforts during the 2012-13 fiscal year:

By March 31, 2013, the Department of Finance will have begun making available the results of the integrated expenditure and revenue forecasting data to inform Government's financial planning processes.

The new budgeting system was designed and has been implemented using a phased-in approach. During the 2011-12 fiscal year, the focus of the Department was to implement the cash-based model component of the new budgeting system to support the development of the 2013 Budget. As detailed below, during the 2012-13 fiscal year, the focus was to import revenue forecasting data into the new budgeting system, thereby integrating revenue and expenditure forecasting. The intent of this integration was to improve upon the accuracy and timeliness of financial planning advice provided in support of the annual budget process. The actual results achieved are provided below.

Measure: Initiate dissemination of results from integration of expenditure and revenue forecasting data

Planned Performance	Actual Performance
Developed and tested templates for integration of forecasting data	During the 2012-13 fiscal year, the Department of Finance incorporated the 2011-12 revenue forecasting data into the new budgeting system. Templates for uploading new revenue forecasting data were developed and tested and staff responsible for revenue forecasting and debt management was trained accordingly. These templates were then used during the 2013 budget process to integrate the expenditure and revenue forecasting data. This integration helped to streamline the process, improving upon the efficiency and accuracy of the information and analysis the Department was able to provide to support the development of the 2013 Budget.
Provided additional training to users of the templates	
Utilized templates to integrate the forecasting data in support of the 2012-13 budget preparation process	

2013-14 Performance Commitments:

During the 2013-14 fiscal year, the Department will continue to build upon and refine as needed, the new budgeting system to assist in budget preparation and monitoring, budget forecasting, preparation of the Estimates, preparation of the Salary Details and budget reporting. To this end, the Department has identified the following objective for the 2013-14 fiscal year:

By March 31, 2014, the Department of Finance will have fully integrated its new revenue and expenditure forecasting data into Government's financial planning processes.

The Department's progress towards this commitment will be monitored and measured according to the following performance indicators:

Measure: *fully integrated revenue and expenditure forecasting data into Government's financial planning processes*

Indicators:

- Enhanced budget modeling, variance analysis and reporting
- Enhanced salary budget preparation
- Provided training to departmental users (both within and outside of the Department of Finance) of the new budgeting systems

3.3 Strategic Issue #3: Financial Management

The general public demands an open and accountable government - one that protects their interests. This includes the proper management of the public purse. In this Province the *Financial Administration Act* (FAA) confers various financial responsibilities and authorities pertaining to the stewardship of public money to the Department of Finance. As such, the Department ensures that public money is properly disbursed, collected, and invested and that the appropriate checks and balances are in place for accurate receipting, expenditure and recording of public funds.

Consistent with Government's strategic directions, the Department therefore focussed its efforts in financial management on two primary areas: financial reporting and responsible management of pension fund assets. In its 2011-14 Strategic Plan, the Department of Finance therefore identified the following goal:

By March 31, 2014, the Department of Finance will have enhanced its internal business processes to ensure continued sound financial management practices.

2012-13 Performance Summary:

To assist in the achievement of this goal, the Department of Finance established the following objective to help focus its efforts during the 2012-13 fiscal year:

By March 31, 2013, the Department of Finance will have begun using the new corporate financial reporting framework and completed its evaluation of options for enhancing the financial management of unfunded pension liability and the post-retirement benefits liability.

Corporate Financial Reporting:

A key component to sound financial management practices is a comprehensive corporate reporting process for Government's financial management system. As new technologies emerge and the financial reporting needs of Government expand, a demand arises for a robust and flexible financial reporting framework that can improve information quality, information availability, and reporting scalability. During the 2012-13 fiscal year, the Department prioritized and initiated the development/refinement of reporting templates in support of efficiently and effectively fulfilling government's needs for corporate financial reporting. The actual results achieved are provided below.

Measure 1: Implemented a corporate financial reporting framework

Planned Performance	Actual Performance
Prioritized corporate reporting needs	During the 2012-13 fiscal year, the Department prioritized Government's corporate reporting needs, based on consultations it conducted with government departments in the previous fiscal year and performance issues with the current reporting system. The focus was applied to reports used to support responding to Access to Information Requests and accounts payable transactions.
Identified required modifications to existing templates	
Designed the templates	In consultation with the Office of the Chief Information Officer (OCIO), the modifications required to the existing templates were identified. The templates were modified accordingly and their utility tested.
Tested the utility of the templates	In addition, the Department worked with the OCIO to improve system performance and availability. Changes were made to the technical infrastructure of Discoverer (Government's current corporate reporting tool) to improve system availability and report response times.

Responsible Management of Pension Fund:

In recent years Government has made significant strategic investments to reduce the Province's unfunded liability and stabilize pension plans. While these payments have improved the funded ratios of the pension plans, it is important that the Province's unfunded pension and post-retirement benefits liabilities continue to be monitored to maintain financial sustainability. During the 2012-13 fiscal year, the Department focused its efforts on evaluating options to address these unfunded liabilities. The actual results achieved are provided on the following page.

Measure 2: Completed evaluation of options for enhancing the financial management of unfunded pension liability and the post-retirement benefits liability

Planned Performance	Actual Performance
Assessed options implemented by other jurisdictions to improve upon their financial management of the unfunded pension liability and the post-retirement benefits liability	During the 2012-13 fiscal year, the Department of Finance established an internal working committee (which also included representation from the Office of the Superintendent of Pensions) whose mandate was to assess options by other jurisdictions for improved financial management of the unfunded pension liability and the post-retirement benefits liability. This assessment was completed.
Initiated a review of the current governance model	The Department of Finance worked with the Pensions Investment Committee to review the current governance model for the Pooled Pension Fund. The purpose of this review was to assess the extent to which the Committee is meeting its fiduciary obligations to plan members and to identify options for improving upon that responsibility. The review generated recommendations which the Pensions Investment Committee is currently considering.
Monitored the transition to a Global Equity Investment Strategy	During 2012-13, the Department of Finance executed the Pension Investment Committee's decision to transition to a Global Equity Investment Strategy. As a means of enhancing the probability of improving upon its investment returns, the Committee recommended a change in the structure of the asset mix policy with respect to foreign equities. Historically, the investment strategy had been a target allocation of 20% US equities and 20% non-North American equities. This was revised to an overall investment target allocation of 40% to global equities.
Provided an oversight role for the completion of an asset-liability study on the Pooled Pension Fund	The Department of Finance coordinated the preparation of an asset-liability study on the Pooled Pension Fund. The purpose of this study was to ensure that the portfolio of investments is structured appropriately to maximize returns within an acceptable level of risk given the extent of the pension liabilities which the portfolio is designed to support. The results of this assessment were presented to the Pensions Investment Committee. Further detail of this analysis is provided in the 2012 Annual Report for the Pensions Investment Committee and is available on-line at www.fin.gov.nl.ca/fin/publications/2012%20Pensions%20Investment%20Committee%20Activity%20Report.PDF

2013-14 Performance Commitments:

During the 2013-14 fiscal year, the Department will be working with the Human Resource Secretariat to transition its responsibilities related to employee benefits. This will include employee compensation, group insurance and pensions administration. Within this context, the Department will partner with the Human Resource Secretariat to continue to apply a strategic focus on the unfunded pension liability and the post-retirement benefits liability. To this end, the Department has identified the following objective for the 2013-14 fiscal year:

By March 31, 2014, the Department of Finance will have implemented, where feasible, strategies for enhancing the financial management of unfunded pension liability and the post-retirement benefits liability.

The Department's progress towards this commitment will be monitored and measured according to the following performance indicators:

Measure: *implemented strategies, where feasible, to enhance financial management of unfunded liabilities*

Indicators:

- ☐ Evaluated potential impacts of implementing new approaches to the financial management of the unfunded pensions liability and the post-retirements benefits liability
- ☐ Developed options for financial management of unfunded pensions liability and the post-retirements benefits liability
- ☐ Consulted with stakeholders

4.0 SHARED COMMITMENTS

The mandate of the Department of Finance requires that it develop effective working relationships with other government departments and agencies to achieve strategic and operational priorities. As such, much of the performance achieved during the 2012-13 fiscal year (and already reported on in the previous section of this document) was made possible because of the Department's partnerships with other government departments and agencies and a shared commitment to achieving common results. Additional accomplishments made possible by these collaborative relationships are detailed below.

\$150 Million Secured in Hebron Dispute:

During the 2012-13 fiscal year, the Department of Finance partnered with Executive Council and the Department of Natural Resources to secure a \$150 million dollar settlement under the Hebron Benefits Agreement. Under the Agreement, all three modules related to the Hebron Project are to be fabricated within the Province of Newfoundland and Labrador. When this Government learned that one of those modules was to be fabricated outside of the Province, the dispute resolution process outlined within the Agreement was initiated to address disagreements related to fabrication capacity. The subsequent compensation amount awarded compares favorably to the value of fabrication of the third module in the Province. The payment will be made to the Province on June 30, 2016 and will be strategically invested for the benefit of all Newfoundlanders and Labradorians.

Core Mandate Analysis Initiative:

During the 2012-13 fiscal year Government implemented a core mandate analysis exercise which required each government department to undertake a structured examination of its fundamental responsibilities to ensure that its efforts are focused on essential functions and to identify opportunities to improve upon work processes. The objective was to ensure that all government departments are focused first and foremost on delivering high-priority services and achieving high-priority goals.

The Department of Finance played a pivotal role to support Government in its decision-making process by providing budgetary and financial expertise.

Parental Benefits Program:

In 2008, this Government announced a Parental Benefits Program consisting of the Progressive Family Growth and the Parental Support Benefit to help support families in the province. The program provides \$1,000 for every child born or adopted in the Province since January 1, 2008, as well as an additional \$100 each month for the first 12 months.

During the 2012-13 fiscal year, the Department of Finance partnered with the Vital Statistics Division of Service NL to help streamline the application process. Parents applying for the Parental Benefits Program now need only to check a box when registering the birth of their child with the Vital Statistics Division. Previously, parents had to complete multiple forms – one to register the birth of their child and another to apply for the Parent Benefits Program. With this adjustment, parents no longer need to also provide a hard copy of their child's birth certificate as part of the application process for the Parental Benefits Program. This information is now provided to the Department of Finance directly by the Vital Statistics Division.

These changes provides for more timely processing of applications to the Parental Benefits Program and saves time and money for parents by reducing the number of forms to complete and eliminating the cost of obtaining a hard copy of the birth certificate.

New Online Payment Options

During the 2012-13 fiscal year, the Department of Finance partnered with the Labour Relations Agency, the Department of Environment and Conservation and the Office of the Chief Information Officer to build the infrastructure required to support online payments. Payments for services including Crown Land Leases and Licenses and Labour Standards Clearance Certificates are now available online. In addition, the Department itself made available the option of paying online for Tax Clearance Certificates. The implementation of online payment options provides companies and the general public with a convenient, user-friendly alternative method of payment. It also helps to improve service levels through more efficient receipting and recording of revenues.

5.0 HIGHLIGHTS AND ACCOMPLISHMENTS

In addition to the results reported in the Report on Performance section of this document, the following provides information on other key accomplishments of the Department of Finance.

Provincial Budget:

During the 2012-13 fiscal year, the Department provided strategic leadership and coordination of two provincial budgets. The 2012 Budget was released on April 24, 2012 and the 2013 Budget was released on March 26, 2013. This represents a significant accomplishment for the Department of Finance. It required working with all government departments and entities to develop accurate and timely expenditure and revenue forecasts; and leading the pre-budget consultation process with community groups, municipalities, business and professional associations, special interest groups and individual citizens within the Province.

Mid-Year Financial Update:

On December 13, 2012, the Minister responsible for the Department of Finance released the mid-year financial update for the Province. At that time, the Minister was able to announce that total expenses decreased by \$19.5 million (0.3%), which included a \$6.7 million (0.1%) decrease in program expenses and a \$12.8 million (1.5%) decrease in debt expenses. Program expenses decreased due to savings realized through various expenditure reduction initiatives implemented during the year (which were lead and coordinated by the Department of Finance), partially offset by unforeseen budget pressures which were absorbed within existing budget allocations.

Home Heating Rebate Continues to Assist with Rising Energy Costs:

The Home Heating Rebate is a program that was first implemented in 2004-05 to assist residents of the Province with rising energy costs. The program is available upon application to residents with an adjusted family income that falls within the income threshold (which is determined each year) and who have directly incurred costs to heat their home. Regardless of the energy sources, eligible households on the island receive a maximum rebate of \$250; while those in coastal Labrador communities can receive up to \$500, depending upon income levels.

As of May 28, 2012, more than 61,000 rebates had been issued for the 2011-12 heating season, totally over \$15 million. This can be compared to 2004-05 when just 13,500 rebates were issued worth \$3.4 million. Since 2004, approximately 438,000 rebates have been provided to residents of the Province at a value of over \$105 million.

Enhanced Security Features on Government Cheques:

On May 18, 2012, the Department of Finance announced that it would now be using a more advanced quality of paper for printing government cheques. The paper enhances security

by eliminating the possibility of copying, scanning and printing fraudulent cheques, helping vendors to better identify counterfeits. Additional information is available on-line at <http://www.releases.gov.nl.ca/releases/2012/fm/0518n02.htm>.

Parental Benefits Program:

The Parental Benefits Program was introduced in 2008 as a way to help support families in the province. The program provides \$1,000 for every child born or adopted in the province since January 1, 2008, as well as an additional \$100 each month for the first 12 months.

During the fiscal year ending March 31, 2013, 4,120 applicants received benefits through the Parental Benefits Program. Since the implementation in 2008, approximately 23,800 applications have been processed through the program as of March 31, 2013.

6.0 LOOKING FORWARD - THE YEAR AHEAD

On March 26, 2013, this Government released the 2013 Budget which included a projected deficit of \$563.8 million and a commitment to return to a surplus budget by 2015-16. As outlined in the 2013 budgetary documents, a number of things contributed towards this projected deficit – the Province's receipt of equalization payments ended; the Atlantic Accord payments concluded, public service wages increased; and oil production decreased significantly. Through its 10-Year Sustainability Plan, Government outlined how it intends to return to a surplus budget within three years and to reduce net debt per capita to the all-province average within 10 years, while providing priority services, especially in health and education.

During the 2013-14 fiscal year, the Department of Finance will be challenged to support Government to reduce the projected provincial deficit and return to a surplus budget. As the lead department responsible for the strategic coordination of the provincial budget, the Department will be expected to monitor and provide guidance with respect to all strategies aimed to ensure that spending levels are aligned with long-term expectations and that investments are strategic, balanced and sustainable. The Department therefore intends to provide a strategic focus on improving the overall financial management capacity of Government. This will be accomplished through initiatives aimed at building a community of practice among the Government Executive and providing additional training in such competencies as budget management and monitoring in the public sector; training in Government's new budgeting system, and the implementation of standards and best practices for financial analysis in policy development.

The Department of Finance will also be challenged, similarly to all other government departments and agencies, to identify ways to create capacity from its existing employee base and manage accordingly. As announced in the 2013 Budget, salary and other employee costs account for up to 55% of the total provincial budget. Consequentially, the Department of Finance also experienced a reduction in its salary budget and is now challenged to identify the means by which it will continue to provide its programs and services and build the required capacity from its existing expenditure base.

The Department of Finance has also been mandated to partner with the Human Resource Secretariat to lead the Pension and Post Retirement Liabilities Reform. This is an opportunity for the Department to support Government in its efforts to implement a long-term solution which will provide for the financial sustainability of the unfunded pension and post retirements liabilities. This focus is necessary to secure and protect the pensions of public service employees. The Department of Finance will be challenged to build the technical expertise required to lead these strategies within the short time frames identified for the completion of this initiative.

The Department is confident in its ability to continue to provide strategic leadership across Government in the development of fiscal, financial, economic policy and statistical information. The Department will continue to provide strong leadership in the management and control of provincial finances to ensure appropriate use of public funds. This confidence is grounded by the professionalism, expertise and dedication to quality work exhibited by the Department's employees on a daily basis.

7.0 FINANCIAL INFORMATION

Expenditure and revenue figures included in this document are based on public information provided in the **Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2013** (Unaudited)

		Estimates	
	Actual	Amended	Original
EXECUTIVE AND SUPPORT SERVICES			
1.1.01 Minister's Office	290,818	359,400	359,400
General Administration			
1.2.01 Executive Support	1,325,758	1,799,300	1,464,300
1.2.02 Treasury Board Support	562,319	586,100	406,100
1.2.03 Administrative Support	415,953	467,800	348,800
Total: General Administration	2,304,030	2,853,200	2,219,200
General Government			
1.3.01 Government Personnel Costs	69,089,595	74,281,900	75,067,600
TOTAL: EXECUTIVE AND SUPPORT SERVICES	71,684,443	77,494,500	77,646,200
FINANCIAL ADMINISTRATION			
Financial Planning and Benefits Administration			
2.1.01 Pensions Administration	101,380	-	-
2.1.02 Budgeting	1,190,826	1,223,300	1,215,300
2.1.03 Insurance	421,708	425,200	425,200
2.1.04 Financial Assistance	-	7,304,300	9,220,000
2.1.05 Financial Assistance	-	500,000	500,000
Total: Financial Planning and Benefits Administration	1,713,914	9,452,800	11,360,500
Taxation and Fiscal Policy			
2.2.01 Tax Policy	1,030,250	1,115,200	1,040,200
2.2.02 Fiscal Policy	438,486	488,900	488,900
2.2.03 Project Analysis	539,387	574,400	574,400
2.2.04 Tax Administration	3,121,455	4,162,200	4,392,200
2.2.05 Debt Management	417,170	447,100	574,100
Total: Taxation and Fiscal Policy	5,546,748	6,787,800	7,069,800
Economics and Statistics Branch			
2.3.01 Economics	801,306	1,012,300	959,000
2.3.02 Statistics	1,765,791	1,291,400	1,259,700
Total: Economics and Statistics	2,567,097	2,303,700	2,218,700
Office of the Comptroller General			
2.4.01 Office of the Comptroller General	5,585,245	5,970,300	5,970,300
2.4.02 Corporate Services	4,497,404	4,930,900	4,930,900
Total: Office of the Comptroller General	10,082,649	10,901,200	10,901,200
TOTAL: FINANCIAL ADMINISTRATION	19,910,480	29,445,500	31,550,200
TOTAL: DEPARTMENT	91,594,851	106,940,000	109,196,400

Note: The audited financial statements will be made available to the public when the Volume I – Consolidated Summary Financial Statements and the Volume II – Consolidated Revenue Fund Financial Statements are tabled in the House of Assembly.

8.0 APPENDIX

Public Service Pension Plan Joint Trusteeship Transition Committee Annual Report 2012-13

The *Agreement on Pensions*, which forms part of the current Public Service Collective Agreement, mandated the establishment of a Joint Trusteeship Transition Committee (the Committee). The mandate of this Committee is to recommend to the relevant parties, a joint pension trust structure to govern the activities of the Public Service Pension Plan (PSPP). Under this arrangement, an independent board of trustees is responsible for the administration of the PSPP, including the setting of benefits and investment of the Fund.

The Committee includes representatives of the five unions participating in the PSPP, Government and employers such as Newfoundland and Labrador Hydro and the Newfoundland and Labrador Health Board Association.

Originally, this process was targeted for completion in Spring 2003. A revised target was set for April 2008. However, union representatives on the Committee have indicated that until the issue of the unfunded pension liability was fully resolved, they were not prepared to move forward on the Committee's mandate. As a result, the Committee has been inactive since 2003. If the Committee does become active again, the planning and reporting requirements of the *Transparency and Accountability Act* will be fulfilled in a timely manner.

Annual Report

Department of Finance
Fiscal Year Ending March 31, 2013